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SPECIAL COMMITTEE ON THE SITUATION WITH REGARD TO THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES

ACTIVITIES OF FOREIGN ECONOMIC AND OTHER INTERESTS WHICH ARE IMPEDING THE IMPLEMENTATION OF THE DECLARATION ON THE GRANTING OF INDEPENDENCE TO COLONIAL COUNTRIES AND PEOPLES IN ALL TERRITORIES UNDER COLONIAL DOMINATION AND EFFORTS TO ELIMINATE COLONIALISM, APARTHEID, AND RACIAL DISCRIMIATION IN SOUTHERN AFRICA

TURKS AND CAICOS ISLANDS

Working paper prepared by the Secretariat

CONTENTS

		Paragraphs	Page
I.	GENERAL	1	2
II.	ROLE OF FOREIGN CAPITAL	2 - 4	2
III.	OFFSHORE COMPANY REGISTRATION	5 - 10	3
IV.	TOURISM	11 - 14	4
V.	TRANSPORTATION AND COMMUNICATION	15 - 17	4
VI.	FINANCIAL INSTITUTIONS	18	5
VII.	FISHERIES	19 - 21	5

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I. GENERAL

1. Basic information on the constitutional, political, economic and social conditions in the Turks and Caicos Islands is contained in the general working paper prepared by the Secretariat for the current session of the Special Committee (A/AC.109/1099). Information on economic conditions with reference to foreign economic interests is also contained in a previous working paper (A/AC.109/1024). Supplementary information on the activities of foreign economic interests is set out below.

II. ROLE OF FOREIGN CAPITAL

2. The economy of the Turks and Caicos Islands continues to be based on tourism, property development, the export of conch and lobster and government expenditure. The Territory is heavily dependent on external assistance. The United Kingdom of Great Britain and Northern Ireland is its major donor.

3. Foreign investors, mainly from Canada, the United Kingdom and the United States of America, continue to play a dominant role in the economy of the Territory. The main areas of foreign private investment are tourism, real estate, property development and banking.

4. During the period under review, the Chief Minister met with officials of the Overseas Private Investment Corporation (OPIC), a semi-private agency of the United States Government with a mandate to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas. The talks centred on the inclusion of the Turks and Caicos Islands in the list of participating countries in OPIC-sponsored programmes. Reports indicate that OPIC has already received a number of inquiries by potential investors in the islands. Commitments on both sides have been made, setting in motion the process that would lead to qualifying the Turks and Caicos Islands for OPIC programmes. Basically, OPIC provides the following:

(a) Insurance against inconvertibility, expropriation and political violence;

(b) Finance in the form of direct loans and loan guarantees to citizens of the United States, to United States corporations, partnerships, or business organizations with at least 25 per cent United States ownership, and to foreign corporations, partnerships or business organizations with at least 95 per cent United States ownership. 1/

III. OFFSHORE COMPANY REGISTRATION

5. The Turks and Caicos Islands levies no income tax, capital gains tax or sales tax. That fact, together with other laws of the Territory, make it one of the most attractive jurisdictions in which to establish a corporation and to engage in normal offshore financial activities (see A/AC.109/1024, para. 5). The Caribbean Development Bank (CDB) reported that in 1990 offshore financial services and business registrations continued to grow, following the passage of new insurance legislation, the amendment of the companies and banking legislation at the end of 1989 and the passage of trust and trustee legislation towards the end of 1990. By that time, more than 860 insurance licences had been issued and seven banks held licences to do offshore business (three of the banks also did domestic business). More than 1,000 new companies of all classes were registered during 1990, bringing the total number of registrations to nearly 9,000. 2/

6. The territorial Government announced in October 1991 that revenue from the Turks and Caicos Islands Offshore Finance Centre during the fiscal year 1990/91 had for the first time topped the US$ 2 million mark. 3/ In a report on the first anniversary of the Joint Coordinating Committee of the Offshore Finance Centre, the Government said that the Committee was putting emphasis on promoting the islands as an offshore financial centre and finalizing plans to issue a brochure and a video. 4/

7. The Government added that the Committee was now working on a number of articles of pending legislation which included the following: a limited partnership law; revision of the stamp duty law and regulations; a law to regulate the operations of trust companies in the Territory; repeal of the Recording of Deeds Ordinance; improvements to the Companies Ordinance and to the insurance regulations; and a law to introduce a new category of offshore companies. The Government noted that the laws of the islands must be continuously updated to respond to the changing needs of the business community. 4/

8. In October 1991, the Territory hosted an international conference on new offshore financial legislation in the Turks and Caicos Islands, sponsored by the international firm KPMG Peat Marwick, which had been operating in the Territory for one year. The conference attracted 75 participants, the majority of whom were from overseas, including the Bahamas, Bermuda, the Cayman Islands, Sweden, the United Kingdom and the United States. 5/

9. Addressing the conference, the Superintendent of the Offshore Finance Centre Unit said that while more than 25,000 companies had been formed in offshore financial centres in the Caribbean alone, the Turks and Caicos had less than 5 per cent of that market even though the legislation in the Territory was as good as that elsewhere. He said it was evident that a great deal of promotional work remained to be done. 5/

10. The Chief Minister told the conference that the Government of the United Kingdom had approved US$ 1 million for a project to promote the Territory's

offshore industry. He added that, as an offshore financial centre, the Turks and Caicos presented the following advantages: (a) United States dollar as legal tender; (b) little or no crime; (c) a well-regulated offshore finance industry free of corruption; (d) proximity to the United States; (e) excellent communications; (f) a stable and encouraging Government; and (g) a legal system based on British common law. 5/

IV. TOURISM

11. Tourism continued to be the main source of revenue for the islands. As such, the Government considered the carefully planned development of tourism to be of the highest priority. In August 1991, 4/ the Chief Minister, who is also the Minister for Tourism and Development, said that the Territory would aim for the high end of the tourist market rather than the low end. He said that his Government was not interested in cheap tours, packages and cruise ships; rather, the Government's emphasis was on quality tourism. He added that many Governments in the Caribbean had done themselves a tremendous disservice by investing substantial amounts of money in building large cruise-ship ports; this was to the detriment of the host country, because the majority of these cruise-ship tourists left nothing or little in the economy.

12. CDB reported that during the year 1990 a 228-room hotel on Providenciales had been completed and opened, resulting in a substantial boost to the number of first-class hotel rooms. A casino attached to the hotel was also opened in February 1991. The second major hotel project (a 229-room facility, also on Providenciales) remained uncompleted, reportedly because of financing difficulties. The flow of visitors to the Turks and Caicos Islands continued to be constrained by inadequate air transport. 2/

13. For the first eight months of 1991, however, the Territory experienced a 27.3 per cent increase in tourist arrivals. Figures released by the islands' Tourist Board show that, for the period 1 January-31 August 1991, 38,645 tourists visited the Territory, an increase of 8,278 visitors compared with the previous year. 4/

14. In his Throne Speech of 1991, the Governor said that the Government had mounted a number of initiatives over the year, including the forging of an unprecedented partnership between the Government and the private sector to induce Cayman Airways to fly to the Turks and Caicos. He said that, under the leadership of the Tourist Board, the public and private sectors were jointly and very actively promoting the islands, and that these marketing efforts were largely responsible for the continuing rapid increase in tourist arrivals.

V. TRANSPORTATION AND COMMUNICATION

15. In the field of transportation, the Territory maintains close collaboration with foreign firms. Following the approval by the Executive Council of a proposal for Cayman Airways to operate a thrice-weekly schedule of round-trip air service from Miami/Fort Lauderdale, Florida, to

Providenciales, 6/ an agreement was signed with the airline (see para. 14), which inaugurated its first such flight in April 1991. 7/ The airline also began to offer round-trip fares between Grand Turk/Providenciales and Grand Cayman as of June 1991. 8/ In July 1991, Bahamas Air inaugurated two flights to the Territory, from Nassau to Providenciales and from Nassau to South Caicos respectively, following several rounds of negotiations between the Bahamas national airline and the Turks and Caicos Government. 9/

16. The telecommunications system is owned exclusively by Cable and Wireless (West Indies), Ltd. At a previous sitting of the Legislative Council, the Chief Minister presented a bill relating to the new tariff structure, which was passed as the Public Telecommunications Bill, 1990. Cable and Wireless (West Indies), Ltd., announced that, effective 1 July 1990, there would be a reduction in telephone rates, in keeping with a new agreement that the company hoped to sign with the Government. According to the Governor, the Government has completed negotiations with Cable and Wireless on improved telecommunication services, new rates and charges, and a new licence. As of March 1990, there were 2,000 telephone subscribers in the Territory (see A/AC.109/1059, paras. 57-59).

17. According to the Governor, steps were taken to conclude a new agreement with the Intergovernmental Philatelic Corporation of New York to produce and market Turks and Caicos Islands postage stamps. A decision was made to re-establish the Philatelic Bureau to provide additional employment and revenue to the Government.

VI. FINANCIAL INSTITUTIONS

18. The Government places a high priority on the development of offshore financial institutions in the Territory. As stated in a previous working paper (A/AC.109/952, para. 16), the Government enacted a Banking Ordinance in 1979, and a Companies Ordinance and an Insurance Companies Ordinance in 1981. As an incentive to attract financial institutions and establish the Territory as a financial centre, the Government, as stated above (para. 5), levies no taxes on financial income and interest; nor does it impose regulations on exchange control or place restrictions on the repatriation of financial deposits and interest from the islands.

VII. FISHERIES

19. Fisheries continued to be a significant productive sector in the Territory. The processing and export of conch and lobster provided virtually all of the visible export earnings of the Turks and Caicos Islands, and the businesses involved are owned by both United States and local interests.

20. A document entitled "Draft Situation Analysis of the Turks and Caicos Islands", prepared by three consultants of the United Nations Children's Fund (UNICEF) in 1991, stated that while the Territory imports more than

90 per cent of its food, it could be self-sufficient in fish. According to the document, it is ironic that, although fish products are the major export, significant amounts of lobsters are imported from the United States at a cost that is much higher than what is paid to local fishermen. 10/

Notes

1/ Turks and Caicos News, 8 January 1990.

2/ Caribbean Development Bank, Annual Economic Report, 1990.

3/ The local currency is the United States dollar (US$).

4/ Turks and Caicos News, 5 October 1991.

5/ Ibid., 26 October 1991.

6/ Ibid., 8 December 1990 and 17 January 1991.

7/ Ibid., 27 April 1991.

8/ Ibid., 22 June 1991.

9/ Ibid., 20 July 1991.

10/ Ibid., 25 May 1991.